

INFORMATION REPORT - INFORMATION REPORT
CENTRAL INTELLIGENCE AGENCY

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COUNTRY	USSR/Hungary	REPORT	25X1
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1. In setting prices in the USSR Ministry of the Electrical Industry, two prices were to be considered, the planned price (planovaya tsena) and the wholesale price (optovaya tsena). The plan price was a theoretical fixed price established by the government for every item of goods produced in the USSR. It was changed only every few years when a new price structure was adopted for all goods; such changes had taken place in 1927, 1935, 1948, and 1950. This price was used in calculating the extent that a plant fulfilled its plan. In the setting of plan prices, no allowance was made for production losses, such as those resulting from faulty raw materials, lack of supplies, or lack of electrical power. The wholesale price for all items produced by plants within the Ministry of the Electrical Industry was set each year by the planning department of the ministry in conjunction with Gosplan and was the actual price according to which plants sold their goods. These prices could be changed from year to year but not during the year. Estimated production losses were taken into account in setting these prices. Nevertheless, the wholesale price of an item was often not any higher than the plan price, because innovations improved production techniques, enabling plants to produce items more cheaply than had been planned. Also, since no plan price was set by the government on newly developed items, the ministry permitted plants to sell these items at high rates of profit in order to offset losses on other items.

2. The price structure was changed in 1950 and plan prices raised on all items, because a large proportion of the plants in many ministries operated at a loss according to plan figures. Since plan prices were raised in 1950 to correspond more closely with wholesale prices, [] not [] necessary

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for any plants within the Ministry of the Electrical Industry to receive any subsidies from the government.

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3. The rate of profit was set at the beginning of each year by the planning department of each chief directorate, in conjunction with the planning department of the ministry. However, this was sometimes changed on a monthly basis in order to coincide more closely with the actual profit made by the plant in the previous month. For example, if the plant profit for a plant was ten percent and the plant showed an actual profit of 15 percent at the end of one month, the planned profit for this plant would be changed to 15 percent for the following month. This was done so that there would be no large discrepancy between plan and actual profits, and the planning departments could thus not be accused of faulty planning. By dint of shrewd management and smaller overhead, it was possible for some plants within a ministry to produce the same item more cheaply than other plants and thus make a greater profit. If this profit became too excessive, the ministry sometimes lowered the wholesale price of the item in the individual plant. Thus, the same item would sometimes be sold at a cheaper price by one plant in the ministry than by another. An individual plant, however, sold a given item at the same price to all customers.
4. No state reserve were maintained on a plant level in the Ministry of the Electrical Industry after World War II.
5. Production at Soviet plants in Hungary was not affected by the Korean War.

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Hungary to raise funds during the Korean War. Contributions supposedly were used to purchase medical equipment, bandages, and drugs, which were sent to Korea.

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